



General Assembly

January Session, 2005

Raised Bill No. 999

LCO No. 3115

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Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

AN ACT CONCERNING CHANGES TO THE INSURANCE STATUTES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (e) of section 38a-53 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2005*):

4 (e) Each insurance company or health care center doing business in
5 this state shall include in all reports required to be filed with the
6 commissioner under this section a certification by an actuary or reserve
7 specialist of all reserve liabilities prepared in accordance with
8 regulations which shall be adopted by the commissioner in accordance
9 with chapter 54. The regulations shall: (1) Specify the contents and
10 scope of the certification; (2) provide for the availability to the
11 commissioner of the workpapers of the actuary or loss reserve
12 specialist; [and] (3) provide for exemptions to the companies or centers
13 from compliance with the requirements of this subsection; and (4)
14 include provisions concerning the confidentiality of documents.

15 Sec. 2. Section 38a-102d of the general statutes is repealed and the
16 following is substituted in lieu thereof (*Effective October 1, 2005*):

17 (a) In addition to investments in common stock, preferred stock,
18 debt obligations and other securities permitted under sections 38a-102
19 to 38a-102h, inclusive, a domestic insurer may also: (1) Invest in
20 common stock, preferred stock, debt obligations and other securities of
21 one or more subsidiaries or affiliates, amounts which do not exceed the
22 lesser of ten per cent of such insurer's assets or fifty per cent of such
23 insurer's surplus as regards policyholders, provided after such
24 investments, the insurer's surplus as regards policyholders will be
25 reasonable in relation to the insurer's outstanding liabilities and
26 adequate to its financial needs. In calculating the amount of such
27 investments, investments in domestic or foreign insurance subsidiaries
28 or affiliates shall be excluded, and there shall be included: (A) Total net
29 moneys or other consideration expended and obligations assumed in
30 the acquisition or formation of a subsidiary or affiliate, including all
31 organizational expenses and contributions to capital and surplus of
32 such subsidiary or affiliate whether or not represented by the purchase
33 of capital stock or issuance of other securities, and (B) all amounts
34 expended in acquiring additional common stock, preferred stock, debt
35 obligations and other securities and all contributions to the capital and
36 surplus, of a subsidiary or affiliate subsequent to its acquisition or
37 formation; (2) invest any amount in common stock, preferred stock,
38 debt obligations and other securities of one or more subsidiaries or
39 affiliates engaged or organized to engage exclusively in the ownership
40 and management of assets authorized as investments for the insurer,
41 provided each such subsidiary or affiliate agrees to limit its
42 investments in any asset so that such investments will not cause the
43 amount of the total investment of the insurer to exceed any of the
44 investment limitations specified in subdivision (1) of this subsection or
45 in sections 38a-102 to 38a-102h, inclusive, applicable to the insurer. For
46 purposes of this subdivision, "the total investment of the insurer"
47 includes: (A) Any direct investment by the insurer in an asset, and (B)
48 the insurer's proportionate share of any investment in an asset by any
49 subsidiary or affiliate of the insurer, which shall be calculated by
50 multiplying the amount of the subsidiary's or affiliate's investment by

51 the percentage of the ownership of such subsidiary or affiliate; and (3)
 52 with the approval of the commissioner, invest any greater amount in
 53 common stock, preferred stock, debt obligations or other securities of
 54 one or more subsidiaries or affiliates, provided after such investment
 55 the insurer's surplus as regards policyholders will be reasonable in
 56 relation to the insurer's outstanding liabilities and adequate to its
 57 financial needs.

58 (b) In determining the financial condition of an insurance company,
 59 its subsidiaries or affiliates shall be valued in accordance with any
 60 applicable valuation method approved by the commissioner and
 61 consistent with procedures promulgated by the National Association
 62 of Insurance Commissioners.

63 (c) With respect to the activities conducted by a domestic insurer's
 64 subsidiaries or affiliates, the commissioner shall have the power to: (1)
 65 Order said company to curtail the conduct of any activity if [he] the
 66 commissioner finds, after notice and opportunity to be heard, that such
 67 activity is not lawful or is against public policy or that the continuation
 68 of such activity is materially adverse to the interests of the insurer's
 69 policyholders; and (2) require separate books, accounts and records for
 70 such classes of activities of the insurance company subsidiary or
 71 affiliate as [he] the commissioner shall determine, which books,
 72 accounts and records shall be so maintained as to disclose clearly and
 73 accurately the nature and details of such activities. The commissioner
 74 may determine that an activity is materially adverse to policyholders if
 75 [he] the commissioner finds that subsidiaries or affiliates are being
 76 used to avoid the quantitative limitations directly applicable to
 77 insurers under section 38a-102c.

78 Sec. 3. Subdivision (20) of section 38a-816 of the general statutes is
 79 repealed and the following is substituted in lieu thereof (*Effective*
 80 *October 1, 2005*):

81 (20) Any violation of [subsection (a) of section 38a-11 and] sections

82 38a-465 to 38a-465m, inclusive.

83 Sec. 4. Subdivision (6) of section 38a-838 of the general statutes is
84 repealed and the following is substituted in lieu thereof (*Effective*
85 *October 1, 2005*):

86 (6) "Insolvent insurer" means an insurer (A) licensed to transact
87 insurance in this state either at the time the policy was issued or when
88 the insured event occurred, and (B) determined to be insolvent by a
89 court of competent jurisdiction, provided the term "insolvent insurer"
90 shall (i) not be construed to mean any insurer with respect to which an
91 order, decree, judgment or finding of insolvency, whether permanent
92 or temporary in nature, or order of rehabilitation or conservation has
93 been issued by a court of competent jurisdiction prior to October 1,
94 1971, and (ii) include the legal successor of the [insolvent] insurer in
95 the event of the merger of the insolvent insurer.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2005</i>	38a-53(e)
Sec. 2	<i>October 1, 2005</i>	38a-102d
Sec. 3	<i>October 1, 2005</i>	38a-816(20)
Sec. 4	<i>October 1, 2005</i>	38a-838(6)

Statement of Purpose:

To amend the insurance statutes by: (1) Authorizing the Insurance Commissioner to adopt regulations concerning the confidentiality of certain documents; (2) adding "affiliates" to provisions concerning the investment of admitted assets; (3) deleting a reference to the licensing fee section under the Unfair Insurance Practices Act; and (4) amending the definition of "insolvent insurer" under the Connecticut Insurance Guaranty Association Act.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]